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SUBJECT: KUWAIT LAUNCHES NEW OFFSET COMPANY

1. On April 11, the Kuwait Investment Authority (KIA) announced the establishment of the National Offset Company to manage and implement the GOK's recently re-established offset program. The company's establishment had previously been scheduled for January 2006 but was delayed pending registration by the Commerce Ministry. (Note: The previous offset regime was suspended in August 2004 pending a review of the program in cooperation with the World Bank. End note.) The new company is responsible for all aspects of the offset program, including evaluating project proposals, applying penalties to companies not in compliance, specifying and marketing projects that would meet offset requirements, and issuing certificates indicating that offset obligations have been either fulfilled or violated.

2. Offset obligations will be in force for military contracts worth more than \$10 million, and civilian contracts valued above \$34 million. Oil and gas exploration and production contracts are excluded from the program. Education, health services, and basic industries projects will receive the highest multiplier (3.5), followed by communications and transport contracts (2.8). The lowest multiplier (1.0) will apply to real estate, hotel construction, and sport/leisure projects.

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